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SUBJECT: EGYPT'S ECONOMY: AUGUST 9 PRESS ROUND-UP

¶1. (U) The following are notable economic news stories that appeared over the past week in the Egyptian press:

Ministry of Finance releases FY08/09 preliminary figures

¶2. (U) Minister of Finance Youssef Boutros Ghaly said the preliminary results of the FY2008/2009 showed an improvement in the macroeconomic indicators. The budget deficit remained at 6.9%, same as last year. The Minister considered this a significant achievement given the global economic situation. Revenues went up 24% to LE274.8 billion (\$49.6 billion), while expenditures increased by 21.7% to LE343.7 billion (\$62 billion). The Minister said the budget deficit is expected to increase in FY09/10 due to the financial crisis. (All newspapers, 8/4/2009)

World Bank grants \$270 million to Railway Authority

¶3. (U) The Egyptian Prime Minister, Ahmed Nazif, and the Ministers of Investment and International Cooperation attended the signing of a \$270 million soft loan between the Railway Authority and the World Bank. The loan extends over 30 years with a grace period of 5 years, after which it will be charged an interest rate of 1.5% annually. The Authority will finance payment of the debt without incurring additional burdens on the government, the Minister of International Cooperation said. The loan aims at improving the efficiency and safety of railway services as part of the overall reforms aimed at the transportation sector. (All newspapers, 8/3/2009) On a similar note, Minister of Investment Mahmoud Mohey Eddin met Shamshad Akhtar, Deputy Regional Manager at the World Bank, to discuss projects about bank finances including the new mortgage project targeting youth and the under-privileged. The bank has provided \$300 million to build 80,000 residential units over 3 years. (Al Alam Al Yom 8/5/2009)

Fifth interest rate cut during 2009

¶4. (U) The Monetary Policy Committee at the Central Bank declared a fifth interest rate cut since the beginning of the year. The rate was reduced by 0.5% from 9% to 8.5% in order to stimulate growth. (All newspapers)

Regulator rejects offer of France Telecom

¶5. (U) The Egyptian Financial Supervisory Authority (EFSA) rejected for the third time France Telecom's appeal to allow the purchase of the remaining shares of the Egyptian Co. for Mobile Services (MobiNil). EFSA reported France Telecom's proposal because prices offered were less than the price set by the international arbitration ruling for the majority of the company, which amounts to

LE273.26 (\$49.32) per share. According to press report, France Telecom offered LE230 (\$41.52) per share in its third bid and offered LE237 (\$42.78) a share in its second bid on May 19. France Telecom plans to challenge the decision in the Egyptian supreme court. (El Masri El Yom, Al Ahram, 8/6/2009)

The Jonglei Canal

¶6. (U) Minister of Irrigation Mohammad Allam issued a ministerial decree to form a delegation to visit Sudan in early October to study the current status of the Jonglei canal and the possibility of the completion of the canal. It is currently about 70% complete and has a length of 375 km. If the first phase is completed, it would save approximately 4 billion cubic meters (BCM) of water split between Egypt and Sudan; the second phase would save about 7 BCM of water. (Akhbar and El Masri El Yom, 6/8/2009)

Introduction of a new H1N1 vaccine

¶7. (U) Minister of Health, Dr. Hatem El Gabaly indicated that the government started negotiations with three multinational pharmaceutical companies to import 5 million doses of a new H1N1 vaccine, expected to be approved by the WHO in January 2010 and to arrive in Egypt by April or May of the same year. (Yom 7, 8/ 5/2009)

Scobey